



Debt Management

Debt Management



Department Description

Debt Management administers all debt issuances, short term and long term, for the City. Debt Management conducts planning, structuring, and issuance activities for short-term and long-term financing to meet the City's cash flow needs and to provide funds for capital projects, equipment, and vehicles. In addition, the Department coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure projects. The Department also monitors outstanding debt issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. With respect to the latter, Debt Management works with the Office of the City Attorney, outside counsel, and other departments to: administer debt service payments, monitor the City's compliance with existing bond covenants, coordinate the filing of annual continuing disclosure reports, and respond to requests for information related to outstanding bonds.

Debt Management also performs financial analysis for the Mayor, City Council, and City departments. The Department works with the Water and Metropolitan Wastewater Departments to develop financial plans and identify infrastructure funding, based on the Water and Metropolitan Wastewater Departments' rate analyses, projections, and federal, state, and local mandates.

Debt Management is organized into the following functions:

Citywide Contractual Services

Citywide Contractual Services provides funds for consulting contracts, including financial advisory and bond counsel contracts and for services relating to a wide range of financing issues.

Enterprise Fund Financing and Administration

Enterprise Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's enterprise funds and performs or coordinates certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

General Fund Financing and Administration

General Fund Financing and Administration coordinates the structuring and issuance of bond financing for City capital projects funded and secured by the City's General Fund and performs or coordinates certain post-debt issuance administrative functions, including continuing disclosure annual report filings.

Debt Management

Special Districts Financing and Administration

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District formation procedures and related bond issuances, and performs or coordinates certain post debt issuance administrative functions, including the calculation and enrollment of special taxes and assessments and continuing disclosure annual report filings.

The Department's mission is:

To provide a comprehensive and innovative debt management administration to meet the financing needs of the City in a cost-effective manner, taking into account City priorities as well as legal, financial, and structuring considerations

Goals and Objectives

The following goals and objectives represent the action plan for the Department.

Goal 1: Offer innovative financial products to effectuate the City's capital financing plan

Offering innovative financial products as part of the City's capital plan will enable the City to pay for much needed capital projects. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Implement and execute financings for capital needs on a timely basis
- Ensure financings implemented are cost-effective

Goal 2: Implement the use of best practices

Use of best practices is vital in improving and maintaining the efficiency and effectiveness of any organization. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Maintain efficiency and accuracy of Department operations
- Enhance document retention and access practices
- Establish and regularly update the City investor web page

Goal 3: Manage post-issuance compliance

Post-issuance compliance is an important process necessary to maintaining the tax exemption of interest on outstanding obligations and in ensuring the City's compliance with federal securities laws. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Optimize returns from bond funds
- Perform regular financial reporting for all stakeholders
- Ensure that the compliance monitoring process is efficient and effective

Goal 4: Adhere to best practices as it relates to disclosure

Enhanced disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objective.

- Implement and execute financings that adhere to the City's disclosure practices

Goal 5: Promote the highest ethical standards and behavior among employees

Promote and enforce the City's ethical practices to ensure integrity, accountability, service, team support, openness, and diversity in the Department. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Offer training to management and staff on ethical standards
- Management review of standards and ethical practices with staff on a regular basis

Goal 6: Hire, retain and develop skilled employees

Developing and retaining a trained and skilled workforce is essential to the success of the Department. Ensuring that our employees are trained and have access to the necessary resources will create a higher performing organization

Debt Management

that operates more efficiently and effectively. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Promote and develop excellence and high caliber in the Department
- Ensure knowledge transfer occurs to develop bench strength

Service Efforts and Accomplishments

The following are recent service efforts and accomplishments for the Debt Management Department:

General Fund

A privately-placed Lease-Revenue Note financing for approximately \$108 million is anticipated to be executed in Fiscal Year 2008 to finance the City's deferred maintenance capital improvement projects. In addition, a privately placed financing to leverage employee pick-up savings for Pension System funding is planned for June 2008.

Debt Management also facilitated the private placement of \$116 million of Tax and Revenue Anticipation Notes to fund Fiscal Year 2008 cash flow needs. In March/April 2008, the Department will begin work on Fiscal Year 2009 Tax and Revenue Anticipation Notes to meet the cash flow needs of the upcoming fiscal year.

Water and Wastewater Enterprises

In May 2007, Debt Management issued \$224 million in Sewer Revenue notes for major sewer infrastructure projects. Long-term financing work is in progress for Water and Wastewater programs for implementation in late 2008. In February 2008, \$150 million was secured for Water System through an interim private offering at an attractive interest rate of 3.28 percent. This will provide CIP funding for Water System's Capital Improvement through the end of Fiscal Year 2008.

Equipment Vehicle and Financing Program

The lease-purchase of a new fire helicopter in the amount of approximately \$10.6 million (estimated \$15.9 million including financing costs) will occur in Fiscal Year 2008. Also in Fiscal Year 2008, the Department will facilitate the lease-purchase of motive equipment to meet fleet replacement needs in the amount of approximately \$12 million.

Special Districts

Approximately \$4 million in Community Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series A of 2008 are anticipated to be issued to provide funding for the park improvement in connection with the Naval Training Center Redevelopment Project. In addition, approximately \$12 million in Community Facilities District No. 4 (Black Mountain Ranch Villages) Special Tax Bonds, Series A of 2008 are anticipated to be issued to fund regional roadway and other infrastructure improvements. At the request of certain property owners, Debt Management also facilitated the formation and enactment of the La Jolla Mesa Vista Underground Utility Assessment District to assist property owners in undergrounding their utilities. A one-time assessment was levied on property within the District, which will be used to finance the undergrounding project in conjunction with the City's Utilities Undergrounding Program.

Other

Debt Management coordinated presentations to the credit rating agencies in June 2007. In addition, a City Council training on Debt Issuance and Administration was conducted jointly by Debt Management, the City Attorney's Office, and bond counsel in September 2007, and Debt Management also coordinated a January 2008 City Council workshop on variable rate debt and interest rate swaps. The Department developed a Debt Policy and a Special District Formation and Financing Policy, which were approved by City Council in November 2007. The Department continues to monitor the bond covenant compliance status of various bond issuances on a fiscal year basis, and files semi-annual status reports to the Chief Financial Officer. In addition, Debt Management prepared and implemented a process for performing Post-Issuance Investment Monitoring of bond proceeds, and developed and implemented a Department training policy and guidelines.

Debt Management

Budget Dollars at Work: Performance Expectations

Goal 1: Offer innovative financial products to effectuate the City's capital financing plan

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Percent of City's priority financings completed	N/A ¹	83%	100%
2. Number of new city bond issuances priced no higher than 1% of the average rate achieved by other comparable municipal credits priced in the same time frame	100%	100%	100%

Goal 2: Implement the use of best practices

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	54 days	within 45 days of the end of the reporting period
2. Percent of debt payments made to bond trustees on time	100%	100%	100%
3. Percent of digital access for ongoing and future financings	N/A	100%	100%
4. Percent of the City investor webpage completed ²	N/A	100%	100%

Goal 3: Manage post-issuance compliance

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Percent of bond-related investments which are actively evaluated and re-invested as they come to term	N/A	100%	100%
2. Percent of continuing disclosure annual reports sent on or before due dates	N/A	0% ³	100%
3. Average number of days for the Formal Centralized Monitoring Program (FCMP) semi-annual compliance status reports to be completed (to support internal controls for the City)	N/A	54 days	within 45 days of the end of the reporting period

Goal 4: Adhere to best practices as it relates to disclosure

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Percent of primary offering disclosures coordinated by the Department that adhere to Disclosure Practices Working Group (DPWG) Controls and Procedures	N/A	100%	100%

Goal 5: Promote the highest ethical standards and behavior among employees

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Percent of staff attending City-wide training on ethics and general City-wide codes of conduct ⁴	90%	90%	100%

¹ Measures were not established in Fiscal Year 2007 to allow for baseline data for this measure.

² City's investor webpage is anticipated to be implemented before the end of Fiscal Year 2008.

³ This result is due to unavailability of the Fiscal Year 2007 Comprehensive Annual Financial Report due in Fiscal Year 2008 for outstanding obligations.

Debt Management

Goal 6: Hire, retain and develop skilled employees

Performance Measure	Baseline FY2007	Estimated FY2008	Target FY2009
1. Percent accomplishment of the Department Professional Development Performance Index (PDPI) ⁵ as established by the Department	N/A	100%	100%

Budget Dollars at Work: Sizing and Workload Data

	FY2005	FY2006	FY2007	Estimated FY2008	Target FY2009
Workload Data					
Dollars administered in outstanding financed obligations (fiscal year end)	\$2.53B	\$2.58B	\$2.68B	\$2.95B	\$3.18B
Funding provided through executed financings for infrastructure, capital projects, essential equipment, and working capital	\$129M	\$277M	\$492M	\$307M	\$441M
Number of Community Facilities District and Assessment District parcels administered	8,281	8,653	8,759	8,500	8,500
Value of special taxes and assessments levied	\$16.5M	\$18.0M	\$16.9M	\$17.0M	\$17.0M

⁴ Fiscal Year 2007 and estimated Fiscal Year 2008 results reflect the hiring of new employees who have not had an opportunity to participate in the City-wide training provided by the City. Debt Management is committed to offering training to all employees in the Department.

⁵ The Department established seven training goals, each of which is assigned a Professional Development Performance Index (PDPI) percentage. The total of the indices for all training goals is 100%. The index for each goal is multiplied by the percent completion for that goal, and the cumulative result is the percent accomplishment for the measure.

Debt Management

Department Summary

Debt Management				
	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED	FY 2008-2009 CHANGE
Positions	22.20	22.00	22.00	0.00
Personnel Expense	\$ 2,283,651	\$ 2,346,312	\$ 2,410,871	\$ 64,559
Non-Personnel Expense	\$ 366,172	\$ 384,089	\$ 351,326	\$ (32,763)
TOTAL	\$ 2,649,823	\$ 2,730,401	\$ 2,762,197	\$ 31,796

Department Staffing

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
GENERAL FUND			
Debt Management Department			
Administration	1.00	0.00	0.00
Bond Financing, Utilities & Analysis	15.15	0.00	0.00
Ent Fund Fin & Admin	0.00	2.30	2.30
Gen Fund Fin & Admin	0.00	14.00	14.00
Special Dist Fin & Admin	0.00	5.70	5.70
Total	16.15	22.00	22.00
SPECIAL DISTRICTS FUND			
Special Districts			
Special Districts	6.05	0.00	0.00
Total	6.05	0.00	0.00
DEPARTMENT TOTAL	22.20	22.00	22.00

Department Expenditures

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
GENERAL FUND			
Debt Management Department			
Administration	\$ 77,233	\$ 5,064	\$ 2,649
Bond Financing, Utilities & Analysis	\$ 1,702,341	\$ 55,357	\$ 38,089
City-Wide Contractual Services	\$ -	\$ 115,112	\$ 115,112
Debt Management	\$ (3,877)	\$ 63,533	\$ (43,754)
Ent Fund Fin & Admin	\$ -	\$ 318,029	\$ 340,519
Gen Fund Fin & Admin	\$ -	\$ 1,520,674	\$ 1,599,021
Special Dist Fin & Admin	\$ -	\$ 652,632	\$ 710,561
Total	\$ 1,775,697	\$ 2,730,401	\$ 2,762,197

Debt Management

Department Expenditures

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
SPECIAL DISTRICTS FUND			
Special Districts			
Fin Svcs - Special Districts	\$ 2,692	\$ -	\$ -
Special Districts	\$ 871,434	\$ -	\$ -
Total	\$ 874,126	\$ -	\$ -
DEPARTMENT TOTAL	\$ 2,649,823	\$ 2,730,401	\$ 2,762,197

Significant Budget Adjustments

GENERAL FUND

Debt Management Department	Positions	Cost	Revenue
Salary and Benefit Adjustments	0.00	\$ 125,854	\$ 0
Adjustments to reflect the annualization of the Fiscal Year 2008 negotiated salary compensation schedule, changes to average salaries, retirement contributions, retiree health contributions, and other benefit compensation.			
Revised Revenue	0.00	\$ 0	\$(282,904)
Adjustment to reflect Fiscal Year 2009 revenue projections.			
Non-Discretionary	0.00	\$ (6,571)	\$ 0
Adjustments to expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.			
Support for Information Technology	0.00	\$ (26,192)	\$ 0
Funding allocated according to a zero-based annual review of information technology funding requirements and priority analyses.			
Vacancy Savings	0.00	\$ (61,295)	\$ 0
Adjustments in personnel expense from positions that are projected to be vacant for a period of time in Fiscal Year 2009 due to personnel transition and salary differentials for new employees.			

Expenditures by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
PERSONNEL			
Salaries & Wages	\$ 1,555,900	\$ 1,557,979	\$ 1,607,470
Fringe Benefits	\$ 727,751	\$ 788,333	\$ 803,401
SUBTOTAL PERSONNEL	\$ 2,283,651	\$ 2,346,312	\$ 2,410,871

Debt Management

Expenditures by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
NON-PERSONNEL			
Supplies & Services	\$ 271,459	\$ 281,980	\$ 281,671
Information Technology	\$ 56,815	\$ 66,634	\$ 35,678
Energy/Utilities	\$ 18,967	\$ 16,544	\$ 15,046
Equipment Outlay	\$ 18,931	\$ 18,931	\$ 18,931
SUBTOTAL NON-PERSONNEL	\$ 366,172	\$ 384,089	\$ 351,326
TOTAL	\$ 2,649,823	\$ 2,730,401	\$ 2,762,197

Revenues by Category

	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 PROPOSED
GENERAL FUND			
Charges for Current Services	\$ 836,000	\$ 1,526,389	\$ 1,243,485
TOTAL	\$ 836,000	\$ 1,526,389	\$ 1,243,485

Salary Schedule

GENERAL FUND

Debt Management Department

<i>Class</i>	<i>Position Title</i>	<i>FY 2008 Positions</i>	<i>FY 2009 Positions</i>	<i>Salary</i>	<i>Total</i>
1106	Sr Management Analyst	3.00	5.00	\$ 71,273	\$ 356,363
1107	Administrative Aide II	2.00	1.00	\$ 50,491	\$ 50,491
1218	Assoc Management Analyst	0.00	1.00	\$ 64,335	\$ 64,335
1222	Assoc Economist	3.00	3.00	\$ 65,329	\$ 195,986
1424	Economist	2.00	0.00	\$ -	\$ -
1535	Clerical Assistant II	1.00	1.00	\$ 35,402	\$ 35,402
1746	Word Processing Operator	1.00	1.00	\$ 37,689	\$ 37,689
1876	Executive Secretary	0.00	1.00	\$ 52,009	\$ 52,009
1879	Sr Clerk/Typist	1.00	0.00	\$ -	\$ -
1917	Supv Management Analyst	5.00	5.00	\$ 80,127	\$ 400,635
1923	Supv Economist	1.00	1.00	\$ 78,079	\$ 78,079
2132	Department Director	1.00	1.00	\$ 134,998	\$ 134,998
2270	Program Manager	2.00	2.00	\$ 111,680	\$ 223,359
	Vacancy Savings	0.00	0.00	\$ -	\$ (52,831)
	Overtime Budgeted	0.00	0.00	\$ -	\$ 4,684
	Temporary Help	0.00	0.00	\$ -	\$ 26,271
	Total	22.00	22.00	\$	1,607,470
DEBT MANAGEMENT TOTAL		22.00	22.00	\$	1,607,470

Debt Management

Revenue and Expense Statement (Non-General Fund)

SPECIAL DISTRICTS FUND

		FY 2007*	FY 2008*	FY 2009*
		BUDGET	BUDGET	PROPOSED
REVENUE				
1911 Act Reimbursement (Other Fund Transfers)	(1)	\$ 22,572	\$ -	\$ -
CFD and Assessment District Admin Charges	(1)	\$ 532,251	\$ -	\$ -
District Formation Activities	(1)	\$ 285,043	\$ -	\$ -
Special Districts Services to Other Funds	(1)	\$ 72,413	\$ -	\$ -
TOTAL REVENUE		\$ 912,279	\$ -	\$ -
TOTAL BALANCE AND REVENUE		\$ 912,279	\$ -	\$ -
OPERATING EXPENSE				
Non-Personnel	(1)	\$ 243,512	\$ -	\$ -
Personnel	(1)	\$ 630,614	\$ -	\$ -
TOTAL OPERATING EXPENSE		\$ 874,126	\$ -	\$ -
TOTAL EXPENSE		\$ 874,126	\$ -	\$ -
BALANCE		\$ 38,153	\$ -	\$ -
TOTAL EXPENSE, RESERVE AND BALANCE		\$ 912,279	\$ -	\$ -

* At the time of publication audited financial statements for Fiscal Year 2007 were not available. Therefore, the Fiscal Years 2007 and 2008 columns reflect final budget amounts from the Fiscal Year 2007 and 2008 Annual Budgets. As such, balances and reserves do not reflect carryover from the previous fiscal year.

(1) Effective for Fiscal Year 2008, the Special Districts Administration function (Dept 7207) will no longer be a 'stand alone' effort, but will be merged into the Debt Management Department (056) as a separate Activity Group. The scope and functions of Special Districts Administration will remain essentially unchanged, however, as a combined unit under Debt Management, separate Annual Revenue & Expense Statements will no longer be required (beyond historical data).